

## ABSTRACT

The present invention is a method and system for estimating liability reserve  
5 amounts for incurred but not yet paid (IBNP) insurance claims by means of projecting paid  
claims (either gross or per exposure) by lag time based on adjusted average monthly paid  
amounts in historical data. Two versions of this method are disclosed, one which assumes that  
future paid claim amounts are independent of claims incurred and already paid, and the other  
10 which assumes that future paid claims are correlated with cumulative incurred and paid claims  
through the valuation date. Both versions have been shown to give significantly more accurate  
results than the traditional Completion Factor and Incurred Claims Methods when applied to sets  
of real data.